



A Full Service Bank ♦ FDIC Insured

PO Box 1030
195 N. Main
Beaver, UT 84713
Phone (435) 438-2433
Fax (435) 438-5885

March 6, 2006

Letter of Credit #

UTAH DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, UT 84114-5801

PIC
S/027/024

and

UNITED STATES BUREAU OF LAND MANAGEMENT (BLM)
Utah State Office
324 So. State
Salt Lake City, UT 84145

RE: PENNEY'S GEMSTONES, LLC
LITTLE SPOT MINE

Gentlemen and Ladies:

1. Utah Independent Bank of Beaver, Utah, hereby establishes this Irrevocable Letter of Credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for itself and as agent for the BLM ("collectively, the "Beneficiaries") for an aggregate amount not to exceed Eight Thousand Eight Hundred and no/100-----(\$8,800.00) in United States dollars ("face amount") effective immediately; on behalf of Penny's Gemstones, LLC ("Operator") for Little Spot Mining operation under Mine Permit No. S/027/024.
2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock pm (Salt Lake City time) on March 6th, 2007 or (b) the date upon which sufficient documents are executed by the Division to release Penney's Gemstones, LLC from further liability for reclamation of the Little Spot Mine, mine permit #S/027/024, with notice to Bank or Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.

☒ APPROVED


3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless 90 days prior to the expiration date the Bank gives notice to the Division by any courier service or by registered United States mail "return receipt requested" that the Bank elects NOT to renew the Letter of Credit.
4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. 34108910 delivered to the office of Utah Independent Bank, 195 North Main, Beaver, Utah 84713. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.
5. If the Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.
6. The Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements, which could result in suspension or revocation of the Bank's charter or license to do business.
7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.
8. Proceeds of this drawing will be held by the Division, subject to the Board of Oil, Gas and Mining, after Notice of Hearing, ordering forfeiture of the Bank in accordance with applicable law utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorney's fees for the Little Spot Mine, permit No. S/027/024.
9. All communications regarding this Letter of Credit will be addressed to Utah Independent Bank, PO Box 1030, Beaver, Utah 84713, referencing Letter of Credit No. 34108910.

10. In the event of Bank cancellation of this Letter of Credit, the Division may present the sight draft(s) to assure or complete reclamation if the Operator does not replace the Letter of Credit within the ninety days of Bank cancellation notice.

Very Truly Yours,

UTAH INDEPENDENT BANK

By: Craig A. White


(Authorized Signature)

Title: President

EXHIBIT A – SIGHT DRAFT

to
Letter of Credit Number _____

_____	_____	_____
Date	City, County	Letter of Credit No.

PAY TO THE ORDER OF: Utah Division of Oil, Gas and Mining,

_____ DOLLARS

TO: Utah Independent Bank
P.O. Box 1030
Beaver, UT 84713

Utah Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

By: _____
Authorized Signature

EXHIBIT B
To
Letter of Credit Number _____

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the amount to be drawn is necessary to assure or complete reclamation of the _____ (name of mining project), number _____ (permit number) in accordance with applicable law.

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date _____